



**Health Services**  
LOS ANGELES COUNTY

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313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
Fax: (213) 481-0503

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June 1, 2006

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**MEDICAL SCHOOL REPLACEMENT AFFILIATION AGREEMENT  
BETWEEN THE COUNTY OF LOS ANGELES AND  
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA  
(Second and Fifth Districts) (3 votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Health Services, or his designee, to sign the attached replacement Agreement with the Regents of the University of California (University) for the provision of Purchased Academic Services and certain patient care services at Harbor-UCLA Medical Center (Harbor) and Olive View-UCLA Medical Center (Olive View), effective July 1, 2006 through June 30, 2011. The maximum annual County obligation under this Agreement in Fiscal Year 2006-07 will be \$25,329,500.
2. Approve the one-time retroactive payment of \$1,342,145 for Purchased Academic Services and certain patient care services pertaining to Fiscal Year 2005-06. This includes a retroactive payment of \$187,850 for Harbor and \$1,154,295 for Olive View in Fiscal Year 2006-07.

**PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:**

Under the existing medical school Affiliation Agreements, the County can annually renegotiate the financing provisions to reflect changes in the nature or volume of services purchased. This replacement Agreement has been designed to put into place new financing provisions for Fiscal Year 2006-07 and retroactive payment provisions pertaining to Fiscal Year 2005-06. It has also been designed to put into place clear requirements and principles of accountability for the medical school with regard to purchased academic services. This Agreement revises and replaces the prior July 1, 1999 Agreement (No. H-210840) and subsequent Amendment No. 1 dated June 19, 2001 and Amendment No. 2 dated July 6, 2004.

**FISCAL IMPACT/FINANCING:**

The maximum annual County obligation under the Agreement in Fiscal Year 2006-07 will be \$25,329,500 for Harbor and Olive View. This reflects a \$4,846,125 increase over the Fiscal Year 2005-06 contract amount that will carry forward to

Fiscal Year 2007-08. Of this total, \$1,145,000 will be absorbed within the Department of Health Services' (Department's) Fiscal Year 2006-07 existing resources. The remaining \$3,701,125 in additional cost will be included in the Department's Fiscal Year 2006-07 Supplemental Budget request.

In addition, this Fiscal Year 2006-07 Agreement includes provisions for the one-time retroactive payment of \$1,342,145 to the University for services provided in Fiscal Year 2005-06. This additional cost will be included in the Department's Fiscal Year 2006-07 Supplemental Budget request. This action does not increase net County costs.

Contract costs are summarized, by facility, in the table below:

<b>FACILITY</b>	<b>CURRENT AFFILIATION AGREEMENT</b>	<b>FY 2006-07 REPLACEMENT AFFILIATION AGREEMENT</b>	<b>FY 2006-07 VARIANCE</b>	<b>FY 2005-06 RETROACTIVE PAYMENT</b>
HARBOR	\$7,966,650	\$10,679,000	\$2,712,350	\$187,850
OLIVE VIEW	\$12,516,725	\$14,650,500	\$2,133,775	\$1,154,295
<b>TOTAL</b>	<b>\$20,483,375</b>	<b>\$25,329,500</b>	<b>\$4,846,125</b>	<b>\$1,342,145</b>

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS:**

The Department entered into the current Agreement with the Regents of the University of California in 1999. This Agreement had an initial term of five full contract years, consisting of the first year plus a one-year automatic extension at the end of each contract year. Amendment Nos. 1 and 2 revised the nature and volume of purchased services to reflect changes in the training programs as well as incorporated new County contract provisions.

To avoid the need to renegotiate the entire Agreement each year, those provisions that are likely to change on an annual basis are contained in either addenda or exhibits to the Agreement. Any material or substantive changes to either the Agreement in whole or to the addenda, particularly with regard to the level of funding, require approval by the Board of Supervisors. A summary of the changes in the exhibits and addenda is outlined below.

Exhibits I and II – County and University Training Programs

Exhibits I and II list the County and University training programs in place at Harbor and Olive View. These exhibits are updated to reflect changes in the training programs based at each of these facilities. The most significant changes include the re-establishment of the Dermatology Program at Harbor retroactive to July 1, 2005 in order to address a Residency Review Committee (RRC) citation and the establishment of the Anesthesiology Program at Olive View effective July 1, 2006.

Addendum A – Purchased Services

The Purchased Services Addendum (Addendum A) delineates the nature and volume of the services to be purchased under the Agreement and includes provisions for retroactive one-time Fiscal Year 2005-06 payment, as outlined in the newly added sections A.I.5 (Harbor) and A.II.5 (Olive View).

Addendum A-I (Harbor) – Fiscal Year 2006-07

Harbor's Addendum A-I includes an increase for Fiscal Year 2006-07 of \$2,712,350. Of this total, \$1,115,000 (41%) is included in the Department's Fiscal Year 2006-07 Proposed Budget. In Fiscal Year 2005-06, the Board approved additional Trauma Augmentation funding of \$765,000 for Harbor to accept additional trauma cases from King-Drew Medical Center. In addition, \$359,000 (includes 2.5% cost-of-living adjustment [COLA]) for the Informatics program is funded in the Department's Fiscal Year 2006-07 Proposed Budget. The Informatics program, which will be implemented Department-wide, represents a partnership between information technology professionals and clinicians to improve information processing and communication of medical practice, education, and research.

A recruitment and retention fund of \$1,215,000 is included to allow the faculty to comply with the ACGME standards concerning resident supervision and fund academic stipends in order to address growing physician recruitment and retention issues. These issues arise from the increased disparity between County and market/academic salaries in the Orthopaedic Surgery, Pediatric Surgery, Radiology, and Emergency Medicine Departments. An increase of \$61,000 is included for one new University trauma resident for Orthopaedics and \$47,000 for the Dermatology program. Teaching and supervision for five additional residents (\$18,000) is requested for various programs, including four residents for the transitional year to provide a well-balanced program of graduate medical education in multiple clinic disciplines designed to facilitate the choice and preparation for a specific specialty.

Lastly, this action would fund a 2.5 % COLA for Harbor (\$242,000). The COLA is applicable to each variable and fixed cost included in Addendum A-I, with the exception of the University housestaff. This is comprised of a variable cost COLA of \$216,000 and a fixed cost COLA of \$26,000. This 2.5% COLA is effective July 1, 2006.

Addendum A-II (Olive View) – Fiscal Year 2006-07

Olive View's Addendum A-II includes an increase for Fiscal Year 2006-07 of \$2,133,775. Of this total, \$30,000 for Clinical Resource Management Support is funded in the Department's Fiscal Year 2006-07 Proposed Budget. A recruitment and retention fund of \$500,000 is included to allow the faculty to comply with the ACGME standards concerning resident supervision and fund academic stipends in order to address growing physician recruitment and retention issues. These issues arise from the increased disparity between County and market/academic salaries in the interventional/procedural subspecialties in the Internal Medicine, Radiology, and Emergency Medicine Departments. Of this sum, \$200,000 is realigned from the current budget for "Supplement for Hard-to-Recruit Physician Specialties" to more appropriately classify this as a variable rather than fixed cost. In addition, \$150,000 described as "Clinical Resource Management Support" is realigned to more appropriately classify it as a variable cost.

Addendum A-II provides funding of \$1,391,570 for 23 additional residents, effective July 1, 2006. This includes the purchase of 18 additional residents due to the reorganization in the Veteran's Administration in Los Angeles, which necessitated the transfer of the Internal Medicine program from the Sepulveda's Veteran's Administration Medical Center (SVAMC) to Olive View. Previously, SVAMC rotated residents to Olive View in excess of what was paid for by Olive View. With the transfer of the program to Olive View, this subsidization ceased. In order to maintain current services and comply with ACGME requirements, Olive View will replace the housestaff no longer provided by SVAMC with an equivalent number of housestaff purchased from UCLA. Olive View will assume funding for two psychiatry residents that were previously funded by SVAMC. In addition, Olive View will also purchase one additional ophthalmology resident to address backlogs in service and two additional anesthesia residents to provide services in this hard-to-recruit specialty. University housestaff salaries are based upon the University's current academic pay scale which increased (\$132,500) since the last Agreement. Unlike most of the Department's hospitals, Olive View does not directly employ residents.

Lastly, this action would fund a 2.5% COLA for Olive View (\$144,000). The COLA is applicable to each variable and fixed cost included in Addendum A-II, with the exception of the University housestaff. This is comprised of a variable cost COLA of \$98,000 and a fixed cost COLA of \$46,000. This 2.5% COLA is effective July 1, 2006.

Addendum A-I, §A.I.5 (Harbor) – Fiscal Year 2005-06 Retroactive Payment

The one-time retroactive payment for Harbor is \$187,850. This includes an increase of \$45,829 for the re-establishment of the Dermatology program effective July 1, 2005, as discussed above. The ordinance positions for the two additional Dermatology residents were approved in the Department's Fiscal Year 2005-06 Final Budget. This sum includes payment of \$142,021 for one additional trauma surgeon for Orthopaedics effective July 1, 2005. Funding for this trauma surgeon was previously approved by the Board in Fiscal Year 2005-06.

Addendum A-II, §A.II.5 (Olive View) – Fiscal Year 2005-06 Retroactive Payment

The one-time retroactive payment for Olive View is \$1,154,295. This sum includes payment for 18 additional residents provided by the University (\$1,055,795) effective July 1, 2005. As discussed above, reorganization in the Veteran's Administration in Los Angeles necessitated the transfer of the Internal Medicine program (18 residents) from the Sepulveda's Veteran's Administration Medical Center to Olive View. This retroactive payment also includes \$98,500 for resident salary increases based upon the University's academic pay scale as of October, 2005.

Addendum A-III – Faculty Teaching Incentive Fund

The newly created Addendum A-III includes funding for the establishment of a Faculty Teaching Incentive Fund effective July 1, 2006. This will provide for the establishment of annual awards for excellence in teaching to be awarded to faculty each contract year, as determined by Harbor and Olive View's Joint Planning and Operations (JPO) Committee. The University and County agree to equally finance the Incentive Fund contributions each contract year, with University and County contributing \$25,000 each. The County's \$25,000 contribution shall be equally split, with Harbor and Olive View contributing \$12,500 each as provided in this Agreement.

PERFORMANCE AND PRODUCTIVITY:

UCLA provides academic purchased services under the Agreement. Academic activities are measurable and can be monitored with contract reporting requirements. The University will submit regular reports that track: residency program size and ACGME accreditation status; the ability of all programs to retain ACGME accreditation and the corresponding corrective action plans. To ensure faculty oversight, the Department worked with the Offices of the Auditor/Controller to develop a monitoring tool for tracking the scope of academic services provided by the University. Performance guarantees were developed to encourage the on-going quality of reporting accountability.

TERM AND TERMINATION:

The initial term of this new Agreement is five years, with a one-year automatic extension at the end of each contract year, unless either party serves notice of non-renewal, in which case the Agreement would expire five years hence.

CONTRACTING PROCESS:

Because this Agreement is a replacement of the current Agreement (No. H-210840) between the County and the Regents of the University of California and the services are specific to the University, the Department did not advertise this Agreement on the Los Angeles County Online Web Site. Additionally, given the nature and scope of the services provided by the University under the Agreement, as well as the historic relationship between the County and the University, the Department determined it was not feasible to competitively bid this contract.

The Honorable Board of Supervisors  
June 1, 2006  
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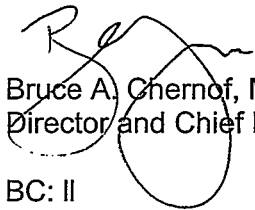
The vast percentage of the services provided pursuant to this Agreement are purchased academic services. County Counsel has advised that Proposition A does not apply to contracts for academic services. Therefore, the portions of the Agreement relating to academic services are not governed by Proposition A. However, it has been determined that the clinical services for the residents at Olive View fall under Proposition A guidelines. As a result, the Auditor-Controller's Audit Division has reviewed and approved the Department's determination that those clinical services under this Agreement are cost effective.

IMPACT ON CURRENT SERVICES:

The Agreement will continue the provision of medical education services at Harbor-UCLA Medical Center and Olive View-UCLA Medical Center.

When approved, the Department requires the original and three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Bruce A. Chernof', is written over a circular stamp or seal.

Bruce A. Chernof, M.D.  
Director and Chief Medical Officer

BC: II  
BLETC4232.PPS

Attachment (1)

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors